



*Ann M. Menke*

**Certified Public Accountant**  
**A Professional Corporation**

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**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENT AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2011**

## Table of Contents

Officials		<u>Page</u> 3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		8-11
Financial Statement:	<u>Exhibit</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A	13
Notes to Financial Statement		14-18
Supplemental Information:	<u>Schedule</u>	
Schedule 1 - Comparison of Receipts and Disbursements Actual to Budget	1	20
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		23-24
Schedule of Findings		25
Staff		26

## **SOUTH IOWA AREA DETENTION SERVICE AGENCY**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Steve McCoy	Executive Director	
Richard Reed	Chairman	Jefferson County
Willie Van Weelden	Vice Chairman	Mahaska County
Jerry Parker	Secretary/Treasurer	Wapello County
Dean Kaster	Member	Appanoose County
Dan Cahill	Member	Des Moines County
Ron Bride	Member	Davis County
Larry Kruse	Member	Lee County
Chris Ball	Member	Louisa County

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

The logo for Ann M. Menke, featuring her name in a large, stylized, handwritten-style font.

Certified Public Accountant  
A Professional Corporation

## Independent Auditor's Report

To the Board of Directors of the  
South Iowa Area Detention Service Agency  
Fairfield, Iowa

I have audited the accompanying financial statement of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2011. This financial statement is the responsibility of the South Iowa Area Detention Service Agency's management. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

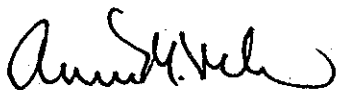
In my opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the South Iowa Area Detention Service Agency as of June 30, 2011, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated December 27, 2011 on my consideration of the South Iowa Area Detention Service Agency's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 8 through 11 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statement of the South Iowa Area Detention Service Agency. Other supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statement and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ann M. Menke", with a stylized flourish at the end.

Ann M. Menke  
Certified Public Accountant  
Professional Corporation  
December 27, 2011

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The South Iowa Area Detention Service Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the year ended June 30, 2011. We encourage readers to consider this information in conjunction with the South Iowa Area Detention Service Agency's financial statement, which follows.

### **2011 FINANCIAL HIGHLIGHTS**

- Operating receipts decreased 29.2%, or approximately \$369,992, from fiscal year 2010 to fiscal year 2011.
- Operating disbursements decreased 12.35%, or approximately \$129,864, from fiscal year 2010 to fiscal year 2011.
- Cash basis net assets decreased approximately \$24,252, or 4%, from June 30, 2010 to June 30, 2011.

### **USING THIS ANNUAL REPORT**

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenue and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.



Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

## FINANCIAL ANALYSIS OF THE AGENCY

### *Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets*

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for detention care fees from the members and nonmembers of the Agency and transport fees, lunch reimbursement, and DHS reimbursement. Operating disbursements are disbursements paid to operate the Agency. Non-operating receipts and disbursements are for interest on investments, equipment purchases, and capital purchases. A summary of cash receipts, disbursements, and changes in cash basis net assets for the years ended June 30, 2011 and June 30, 2010 is as follows:

	Year ended June 30,	
	2011	2010
Operating receipts:		
Detention care fees	\$ 494,464	\$ 794,717
Transport fees	33,947	100,726
DHS reimbursement	343,116	334,443
Lunch reimbursement	13,397	24,178
Other reimbursements	11,652	12,504
Total operating receipts	896,576	1,266,568
Operating disbursements:		
Salaries	535,651	587,899
Payroll taxes and benefits	187,453	189,413
Advertising	348	235
Dues and subscriptions	809	878
First aid and pharmacy	13,502	8,065
Food contract	21,506	32,364
Insurance	40,410	38,025
Juvenile clothing, linens, and other supplies	2,521	3,872
Office expense	1,980	3,053
Physician	8,635	9,483
Professional fees	34,092	32,625
Repairs and maintenance	17,916	14,813
Telephone	5,321	5,564
Training	700	385
Transport expenses	28,250	101,418
Trash removal	756	756
Travel	3,927	4,211
Utilities	17,485	18,067

Total disbursements	<u>921,262</u>	<u>1,051,126</u>
Excess of operating receipts Over operating disbursements	<u>-24,686</u>	<u>215,442</u>
Non-operating receipts (disbursements):		
Interest income	434	759
Capital purchases	0	(20,173)
Termination reimbursement	0	(49,722)
Net non-operating receipts/(disbursements)	<u>434</u>	<u>(69,136)</u>
Net change in cash basis net assets	(24,252)	146,306
Cash basis net assets beginning of year	<u>605,331</u>	<u>459,025</u>
Cash basis net assets end of year	<u>\$ 581,079</u>	<u>\$ 605,331</u>
<b>Cash Basis Net Assets</b>		
Unrestricted	<u>\$ 581,079</u>	<u>\$ 605,331</u>

In fiscal year 2011, operating receipts decreased \$369,992, or 29.2%, over fiscal year 2010. The decrease was primarily a result of a decrease in the usage of the facility by both member and nonmember counties. In fiscal year 2011, operating disbursements decreased \$129,864, or 12.35%, over fiscal year 2010. The decrease was primarily due to lower salaries, payroll taxes, benefits and transport expenses as a result of less facility usage. Many other general operating expenses were down for this same reason.

The Agency's net assets decreased approximately \$24,252, or 4%, during the year.

## **ECONOMIC FACTORS**

A review of the fiscal year budget for the Agency showed actual operating income was lower than expectations by \$120,523, with operating receipts and operating expenditures both being less than projected.

The current financial status of the organization indicates financial assets total approximately \$581,079.

The State Detention Reimbursement Fund remitted \$343,116, which covered approximately 37.24% of our operating expenses for fiscal year 2011.

The fiscal year ended with 4,756 billing days, down approximately 200 days from fiscal year 2010. Overall for the year, capacity at the Lee facility was approximately 62% and average daily population was 13.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve McCoy, Executive Director, South Iowa Area Detention Service Agency, 212 Glasgow Road, Fairfield, Iowa, 52556.

## **FINANCIAL STATEMENT**

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN CASH BASIS NET ASSETS**  
**As of and for the Year Ended June 30, 2011**

Operating receipts:	
Detention care fees	\$ 494,464
Transport fees	33,947
DHS reimbursement	343,116
Lunch program reimbursement	13,397
Other reimbursements	11,652
Total operating receipts	<u>896,576</u>
Operating disbursements:	
Salaries	535,651
Payroll taxes and employee benefits	187,453
Advertising	348
Dues and subscriptions	809
First aid and pharmacy	13,502
Food contract	21,506
Insurance	40,410
Juvenile clothing, linens, and other supplies	2,521
Office expense	1,980
Physician	8,635
Professional fees	34,092
Repairs and maintenance	17,916
Telephone	5,321
Training	700
Transports	28,250
Trash removal	756
Travel	3,927
Utilities	17,485
Total operating disbursements	<u>921,262</u>
Excess of operating receipts over operating disbursements	<u>(24,686)</u>
Non-operating receipts	
Interest income	434
Net non-operating receipts	<u>434</u>
Net change in cash basis net assets	(24,252)
Cash basis net assets beginning of year	<u>605,331</u>
Cash basis net assets end of year	<u>\$ 581,079</u>
<b>Cash Basis Net Assets</b>	
Unrestricted	<u>\$ 581,079</u>

See notes to financial statement.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENT**  
**For the Year Ended June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The South Iowa Area Detention Service Agency was formed in 1991 by ten Southern Iowa member counties, eight of whom remain members of the Agency, pursuant to the provisions of Chapter 28E of the Code of Iowa. The Agency operates a juvenile detention facility located in Montrose, Iowa. The Agency is governed by a Board comprised of one representative from each of the following member counties: Appanoose, Davis, Des Moines, Jefferson, Lee, Louisa, Mahaska, and Wapello.

**A. Reporting Entity**

For financial reporting purposes, the South Iowa Area Detention Service Agency has included all funds, organizations, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The South Iowa Area Detention Service Agency has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**C. Basis of Accounting**

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENT**  
**For the Year Ended June 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets and Budgetary Accounting**

The budgetary comparison is reported as Supplemental Information.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The Agency's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had deposits in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$554,900 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**Interest rate risk** – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Agency.

**Credit risk** – The Agency's investment in the Iowa Public Agency Investment Trust is unrated.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENT**  
**For the Year Ended June 30, 2011**

**NOTE 3 – PENSION AND RETIREMENT BENEFITS**

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the Agency is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The Agency's contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$37,070, \$39,052, and \$53,912, respectively, equal to the required contribution for each year.

**NOTE 4 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 13 active members in the plan. Retired participants must be age 55 or older at retirement. Retirees who choose to remain on the plan are required to pay the full cost of the premium to the Agency each month. The Agency then remits those premiums to Wellmark.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$582 for single coverage and \$1,489 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the Agency contributed \$103,584 and plan members eligible for benefits contributed \$2,115 to the plan. The Agency has no retirees participating in the plan as of June 30, 2011.

**NOTE 5 – COMPENSATED ABSENCES**

Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011, was \$18,635 and \$90,381, respectively. This liability has been computed based on rates of pay in effect on June 30, 2011.



**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENT**  
**For the Year Ended June 30, 2011**

**NOTE 6 – RISK MANAGEMENT**

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended June 30, 2011 were \$23,415.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**NOTES TO FINANCIAL STATEMENT**  
**For the Year Ended June 30, 2011**

**NOTE 6 – RISK MANAGEMENT (CONTINUED)**

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 27, 2011, the date which the financial statements were available for issue.

**NOTE 8 – LITIGATION**

The Agency is currently the defendant in a lawsuit brought by one of the Agency members. The member wishes to withdraw from the Agency and also wants to receive one eighth of the value of the agency as payment upon withdrawal. The withdrawing member's attorney calculated the claim at approximately \$101,000. The Agency's insurance carrier (ICAP) has hired an attorney to defend the Agency in the case. The Agency has a \$10,000 deductible that it would be responsible for if the lawsuit is lost. Trial is set for August 28, 2012.

## **SUPPLEMENTAL INFORMATION**

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**  
**SCHEDULE 1 - COMPARISON OF RECEIPTS AND DISBURSEMENTS**  
**ACTUAL TO BUDGET**  
**For the Year Ended June 30, 2011**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
Operating receipts:			
Detention Care fees	\$ 494,464	\$ 812,125	\$ (317,661)
Transport fees	33,947	100,000	(66,053)
DHS reimbursement	343,116	289,820	53,296
Lunch program reimbursement	13,397	13,200	197
Other reimbursements	11,652	10,000	1,652
Total operating receipts	<u>896,576</u>	<u>1,225,145</u>	<u>(328,569)</u>
Operating disbursements:			
Salaries	535,651	605,396	69,745
Payroll taxes and employee benefits	187,453	230,572	43,119
Advertising	348	100	(248)
Dues and subscriptions	809	1,000	191
First aid and pharmacy	13,502	-	(13,502)
Food contract	21,506	36,000	14,494
Insurance	40,410	45,000	4,590
Juvenile clothing, linens, and other supplies	2,521	16,750	14,229
Office expense	1,980	3,400	1,420
Physician	8,635	9,300	665
Professional fees	34,092	34,690	598
Repairs and maintenance	17,916	16,100	(1,816)
Telephone	5,321	6,000	679
Training	700	3,000	2,300
Transports	28,250	100,000	71,750
Trash removal	756	1,500	744
Travel	3,927	5,500	1,573
Utilities	17,485	15,000	(2,485)
Total operating disbursements	<u>921,262</u>	<u>1,129,308</u>	<u>208,046</u>
Excess of operating receipts over operating disbursements	<u>(24,686)</u>	<u>95,837</u>	<u>(120,523)</u>
Non-operating receipts (disbursements):			
Interest income	434	1,000	(566)
Capital purchases	-	-	-
Termination reimbursement	-	-	-
Net non-operating disbursements	<u>434</u>	<u>1,000</u>	<u>(566)</u>
Excess/(deficiency) of receipts over disbursements	<u>\$ (24,252)</u>	<u>\$ 96,837</u>	<u>\$ (121,089)</u>

See accompanying notes.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

*Ann M. Menke*

Certified Public Accountant  
A Professional Corporation

Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of a Financial Statement Performed in  
Accordance with Government Auditing Standards

To the Board of Directors of the  
South Iowa Area Detention Service Agency  
Fairfield, Iowa

I have audited the accompanying financial statement of the South Iowa Area Detention Service Agency as of and for the year ended June 30, 2011, and have issued my report thereon dated December 27, 2011. My report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the South Iowa Area Detention Service Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of South Iowa Area Detention Service Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the South Iowa Area Detention Service Agency's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of South Iowa Area Detention Service Agency's financial statement will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings as item 2011-1-A to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Iowa Area Detention Service Agency's financial statement is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters are described in the accompanying Schedule of Findings.

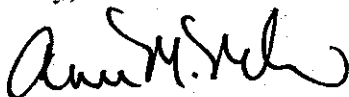
Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statement of the Agency. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The South Iowa Area Detention Service Agency's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the Agency's responses, I did not audit the Agency's responses, and accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the South Iowa Area Detention Service Agency and other parties to whom the Agency may report and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the South Iowa Area Detention Service Agency during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Sincerely,



Ann M. Menke  
Certified Public Accountant  
December 27, 2011



**SOUTH IOWA AREA DETENTION SERVICE AGENCY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2011**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**2011-I-A:**

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted the same individual who prepares the bank deposits may also prepare billings, maintain cash receipts and accounts receivable records, prepare checks, and record disbursements in the accounting records.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is difficult. However, we will continue to have the manager and other staff, where appropriate, review receipts, invoices and bill payments, and payroll as much as possible.

Conclusion – Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

**2011-II-A**

Questionable Disbursements – No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**2011-II-B**

Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.

**2011-II-C**

Agency Meetings – No transactions were found that I believe should have been approved in the Agency minutes but were not.

**2011-II-D**

Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

**SOUTH IOWA AREA DETENTION SERVICE AGENCY**

**Audit Staff**

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Toni Ramsey, Staff Auditor

